Chapter IV
Patent Dispute Resolution System

4.1 Introduction

The principal function of Judiciary is to provide legal remedies against infringement of personal and property rights of persons. The intellectual property rights for their effectiveness depend upon the speed with which they can be enforced by the courts. Enforcement of the patent rights is all about maintaining the patent right holder’s monopoly position or competitive advantage. Providing legal remedies against the violation of the patentee’s right is like exercising the fundamental economic right to ensure that no other person takes advantage of the effort that it took to acquire those rights. WTO is essentially a contractual framework between the signatory countries. Earlier the past international conventions were lacking strong implementation of the provisions enshrined in respective conventions. Keeping in view the vast area covered under different Agreements under WTO and large number of member countries the WTO also codifies member countries rights and obligations in international trade and lays down provisions for settlement of disputes. For Intellectual Property to be able to act as effective catalytic medium for development, legislation alone does not suffice. The judicial system is indispensable for ensuring effective enforcement of the legislation for protection of IPRs. Dispute settlement mechanism is an integral part of the WTO Agreements and applies to all those agreements and is binding on all the signatories to the WTO. GATT the predecessor of WTO was not having binding effect of the decisions given by dispute redressal body rather it was nothing more than binding suggestions.

4.2 The TRIPs norms

Once the countries become the member of W.T.O. they will have to change their national legislation regarding patent laws within transitional period provided under TRIPs according to the provisions laid down under new patent regime. The TRIPS Agreement stipulates domestic procedures and remedies for the enforcement of intellectual property right. Besides laying down
certain general principles applicable to all IPR enforcement procedures, it sets out provisions and civil and administrative procedures and remedies, special requirements related to border measures and criminal procedures, which specify in certain amount of detail the procedures and remedies that must be available so that the right holders may effectively protect their rights.

The I.P.R. laws drafted in conformity with the TRIPs will have to be notified to the Council of TRIPs in order to assist the Council in its review of the operation of new patent regime. The members were bound to make available civil judicial procedure concerning the enforcement of IPRs under their national legislation regarding patents. The Courts exercising jurisdiction under the Intellectual Property laws have to provide effective and expeditious remedies against any act of infringement of intellectual property rights keeping in view the treaty obligations undertaken by the State in the process of interpretation of the statutory provisions, exercise of its discretion and granting adequate reliefs against the infringements of the intellectual property rights. At starting of the proceedings on the behalf of the plaintiff the defendant will have the right to written notice within time and containing sufficient details including the basis of claims. Parties to the judicial proceedings shall be allowed to be represented by the legal counsel. The member countries must provide the judicial authorities, authority to order prompt and effective provisional measures in particular where any delay is likely to cause irreparable loss or harm to the right holder or where evidence is likely to be destroyed or to prevent an infringement of I.P.R. from occurring. If infringement of I.P.R. is done willfully on commercial scale the member country may provide criminal procedure for which remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent. However the stress is on trademarks and copyrights. The member countries may opt for the criminal procedure for patents also. Our own domestic Patent Act has no provision for the criminal procedure in the infringement of Patent’s case. But already criminal procedure has been adopted in case of copyrights.

4.2.1 Process Patent: Reversal of burden of proof:

TRIPs Agreement strives to achieve more effective patent enforcement measures in its member countries. However the mechanism for dispute settlement in the form of suits for infringement

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3 Art. 63(2) Agreement on Trade Related Aspects of Intellectual Property Rights. Hereinafter called TRIPs (1994)
4 Art. 42 ibid
5 Art. 50 (2) ibid
6 Art. 50 (1) ibid
7 Art. 61 ibid
enshrined in Indian Act of 1970 was already at par with the international standard and norms laid down in TRIPs Agreement, the new clause in contradiction to the basic tenets of Indian jurisprudence was only the reversal of the burden of proof in case of process patents. An important step towards achieving this has been embodied in Article 34 of the agreement, which reads as follows:

1. For the purposes of civil proceedings in respect of the infringement of the rights of the owner referred to in paragraph 1(b) of Article 28, if the subject matter of a patent is a process for obtaining a product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in at least one of the following circumstances, that any identical product when produced without the consent of the patent owner shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process:

(a) if the product obtained by the patented process is new;
(b) if there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used.

2. Any Member shall be free to provide that the burden of proof indicated in paragraph 1 shall be on the alleged infringer only if the condition referred to in subparagraph (a) is fulfilled or only if the condition referred to in subparagraph (b) is fulfilled.

3. In the addition of proof to the contrary, the legitimate interests of defendants in protecting their manufacturing and business secrets shall be taken into account.

The Indian Evidence Act under section 101 clearly lays down a rule that he who asserts a fact must prove it. The onus of proof was on the plaintiff for suits of infringement of patents. This provision of the TRIPs Agreement sought to exempt suits for infringement from the application of the traditional rule of the Evidence law. The provision seeks to shift the burden of proof on the defendant in a suit for infringement. This implies that the defendant in a suit for infringement shall be presumed to be guilty of such an act unless he is able to prove the contrary.

4.2.2 Compliance of the provision

In compliance to the Art.34 of TRIPs Agreement, Second Amendment Act of 2002 inserted sec 104 A in Patents Act and adopted almost same wording.
(1) In any suit for infringement of a patent, where the subject-matter of patent is a process for obtaining a product, the Court may direct the defendant to prove that the process used by him to obtain the product, identical to the product of the patented process, is different from the patented process if,

(a) the subject-matter of the patent is a process for obtaining a new product; or

(b) there is a substantial likelihood that the identical product is made by the process, and the patentee or a person deriving title or interest in the patent from him, has been unable through reasonable efforts to determine the process actually used:

Provided that the patentee or a person deriving title or interest in the patent from him, first proves that the product is identical to the product directly obtained by the patented process.

(2) In considering whether a party has discharged the burden imposed upon him by sub-section (1), the court shall not require him to disclose any manufacturing or commercial secrets, if it appears to the court that it would be unreasonable to do so.

According to this amendment, the defendant in a suit for infringement would be expected to prove his innocence rather than the plaintiff proving his guilt. Under the new patent regime under TRIPs in any suit for infringement where subject matter is process patent the onus of proof has been changed. It provides now that if the subject matter of a patent is a process for obtaining a product, the judicial authority shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. So under the new patent regime any identical product when produced without the consent of the patent owner shall be in the absence of proof to the contrary be deemed to have been obtained by the patented process. The product shall be deemed to have been obtained by the patented process even if the product obtained by the patented process is new or if there is substantial likelihood and the owner of the patent has been unable through reasonable efforts to determine the process actually used. So the new patent regime puts the right holder in advantageous position by reversing the burden of proof on the defendant. Our legal system presumes the accused to be innocent till he is proved guilty. Text of the new patent regime goes against the provision and tenets of the Indian jurisprudence as the defendant will have to prove his innocence. This clause will largely affect the Indian manufactures because most of the patents are held by the foreign nationals. If any complaint is made regarding the infringement of the process patent then the defendant will have to prove his innocence and if we are made defendant we will have to prove...
before the panel established by the W.T.O. secretariat that the process we have used is different from the process alleged to be copied. Majority of the Indian Industrialists are of small and medial scale Industrialists and they will have to face the rich M.N.Cs in the trial of infringement of the process patent and which can be beyond their competence. The M.N.Cs may harass the small Indian Industrialists by initiating proceedings against them as the production will remain suspended during the trial. So the reversal of Burden of proof clause goes against the spirit of the Indian jurisprudence. This provision can be used by large business corporations to threaten smaller competitors with infringement suits, effectively preventing them from competing or apprehension can there be in the minds of generic manufacturers regarding infringement proceedings. The patent battles are very costly. The prospect of long drawn out court battles, with the onus of proof on them, as well as the possibility of having to pay hefty amounts by way of compensation in the event of losing the case, would naturally discourage them from developing and using alternative manufacturing processes. Thus the provision wipes out the impending of a cheaper alternative to the patented process while giving flexibility to the giant market players to monopolize the markets. In particular, the reversal of burden of proof provision enables higher rate of success to the patent holder and acts as a deterrent to potential infringers.

4.3 Patents Act of 1970 and dispute settlement forum

India has already a highly developed judicial system with the Supreme Court having plenary powers (Article 142) to make any order for doing complete justice in any cause or matter and have a binding effect (Article 144), to all authorities, Civil and Judicial, in the territory of India to act in aide of the Supreme Court. The Indian Patent Act 1970 provides for its own administrative and judicial setup. The central Govt. is empowered to specify the place of head office and other branch offices of the patent. In India there is a Head Office of patents in Calcutta and branch offices at New Delhi, Madras and Bombay. Head office of the patent is headed by Controller of Patents appointed by the central government and central govt. is also empowered to appoint other officers who will be subordinate to the controller and function under his supervision. The Controller of Patents has been vested with the power of a civil court under some proceedings before him while trying a suit under C.P.C 1908⁸. The Act empowers the Controller in certain matters such as summoning and compel attendance, discovery and production of

⁸ Section 77 The Patents Act of 1970.
documents, receiving evidence of affidavits, issuing commissions for taking evidence and awarding costs etc, to act in accordance to Civil Procedure Code 1908.

Under so many proceedings before Controller as applications, oppositions, revocations, amendments of applications, specifications and so many other liabilities the Controller can proceed with the matter applying the norms of natural justice. Opportunity of being heard, compelling presence of any person or documents can be ordered by the Controller General of the patents.

4.3.1 Infringements of patents:

As already has been discussed that patent owner of a patent shall have the exclusive rights in relation to the patent to commercial exploitation of the invention in addition to right to assign, transmit and to conclude license contracts. If we go in detail the exploitation of a patent means making, importing, sale or use of the patented product. Infringement of a patent consists of acts by a person other than patent holder and with out his permission any of the acts mentioned above. In case of process patents the other person can not use the patented process.

Infringement occurs when a person does the act in contravention of the patent holder's right. However the Act does not draw any distinction between willful and innocent infringement, though the impact may be on the remedies in the form of quantum of award of damages.

Infringement of intellectual property rights is a tortuous invasion of property. The common law developed several heads of liability constituting the economic torts. “Their general characteristics are that the defendant must be acting intentionally or recklessly; that the plaintiff must suffer or be about to suffer damage; and that they will not apply if some ground of justification is open to the defendant”

Under the law of Limitation suit for infringement can be instituted with in three years from the date of cause of action.

Rights of the patent holder are the rights of monopoly exclusive to him in the patent. He, who breaches the monopoly, is said to infringe the rights of the patent holder. The rights of monopoly granted to the patent holder consists in his exclusive right, to make, use, exercise, sell or distribute the articles manufactured in accordance with the patent or manufactured in accordance with the patent process. Nobody else can use patented invention or patented process for manufacturing the articles or substances. A person who uses the patented invention or a patented

process or the person who produces the articles and substances, for which there exists a patent, commits infringement. A person or institution which uses the patented invention for research purposes does not commit any infringement. Infringement of patent is not a criminal offence. The infringer is not liable to be prosecuted in any criminal court.

Therefore it can be said that patent infringement can be done by any of the acts such as making, using, selling, distributing, importing or offering any of such grounds by any person or corporation involved directly or indirectly. The process infringement can also be done by any colourable imitation of invention. The mechanical equivalents or taking away essential features of the invention can also amounts to infringement of the patents. A colorable variation or immaterial variation amounting to infringement is where an infringer makes slight modification in the process or product but in fact takes in substance the essential features of the patentee’s invention. Infringement by mechanical equivalents would occur when he uses mere substitutes for those features so as to get the same result for the same purpose as obtained by the patentee.11

Infringement of a patent is the violation of the exclusive rights of the patentee. Determination of infringement depends on the scope of exclusive rights of the patentee, whether the infringer’s acts amount to making, using, selling or distributing a product or using a method and if in fact the acts amount to an infringement. The burden of proof is on the patent owner for proving infringement.

4.3.2 Acts not amounting to infringement:

Any leave or license express or implied in favour of person alleged to use the invention does not amount to infringement. Any acts done in connection with government use, experiment, research, education12 and falling within the scope of innocent infringement or done after failure to pay renewal fee or before the date of amendment of the specification do not amount to infringement. A defendant may also counter claim for revocation of patent. The extent of the monopoly right conferred by the patent which is interpreted from the specification and claims contained in the application of the patentee. Any action which falls

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12 Sec 47 (3 &4) of the Patents Act. 1970.
outside the scope of the claims would not amount to infringement. Therefore the acts which are covered under the Bolar provisions and Parallel export (section 107 A) are not considered to be an infringement under the Indian patent system: Any act of making, constructing, using, selling, or importing a patented invention solely for uses reasonably related to the development and submission of information, as is required under any law that regulates the manufacture, construction, use, sale, or import of any product; Importation of patented products by any person from a person who is duly authorized under the law to produce and sell or distribute the product.

4.3.3. Who can file suit?

4.3.3.1 Patentee.

If there is any infringement of his rights, the first right to file a suit for infringement lies with the patentee as right holder. The patent once granted in favour of a patentee it gives him certain rights to use, sell, and produce and overall commercial exploitation for a specific period of time. Any act by any other person without the authorization, if it amounts to infringement renders the patentee competent to file suit for infringement.

4.3.3.2 Exclusive licensee

The exclusive licensee is deemed at par with patentee for filing suits for infringement. After the date of grant of license the exclusive licensee can file infringement suit for any infringement committed after the grant of license. The Patentee can also be joined as plaintiff and if he is not joined so he can be made defendant. There it can be said that Act empowers the exclusive licensee to file suits for infringement and if patent right holder does not take any interest in the filing of suit he can be made pro forma defendant.

4.3.3.3 Licensee

Section 110 of the Patents Act of 1970 also entitles the licensee to file suits for infringement. The licensee will have to call upon the patentee to take proceedings to prevent any infringement of the patent and if the patentee refuses or neglects to do so with in two months time after being so called upon, the licensee may institute proceedings for infringement in his own name as though he was himself patentee and patentee can be made pro forma defendant.

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13 Section 109 (1) ibid
14 Section 109 (2) ibid
Ordinarily, violation of Intellectual Property Rights has a private dimension in as much as it affects the proprietary rights of individuals and may cause financial loss and loss of credit to the owner. Therefore, the questions of national or public interest would rarely arise when redressal is sought by a non-citizen for violation of such proprietary rights by the infringer. The judiciary is bound to implement the laws and redress grievances of all persons including aliens to uphold their common law or statutorily recognized rights. A licensee other than the above two licensees can also bring an action for infringement if it is expressly decided and put in clause in the terms of the contract between the licensor and licensee. The assignment makes the person as proprietor of the patent and therefore by virtue of being assignee he can also file infringement suit. Assignee can also sue only after the application for registration of the assignment in his favour has been filed. If a patent is assigned after the commencement of action, the assignee is to be joined as a co-plaintiff. An assignee cannot sue for infringement which occurred prior to assignment.

4.3.4. Jurisdiction

In India the Civil Courts have jurisdiction to try all suits of a civil nature unless expressly or impliedly barred. The exclusion of jurisdiction of a Civil Court to entertain civil causes is not readily inferred and there is a presumption in favour of the jurisdiction of a Civil Court. Even alien may sue in any court as if they were citizens of India. Therefore, in respect of violation of any property rights including intellectual property rights any aggrieved person can resort to remedies available under the Indian law in any court which has jurisdiction in the matter. Aliens and Foreign corporation can invoke the principle of equality before the law enshrined in Article 14 of the Constitution of India which applies to 'any person' and is not limited to citizens. This should allay any doubts in the International Community about the protection of the legitimate interests of their nationals who may have to seek redressal in this country, of their grievances against violation of their legal rights.

15 Justice R.K Abichandani, supra note 1.
16 Laxmi Dutt Roop Chand v Nankau AIR 1964 All 27.
17 Section 9 of the Code of Civil Procedure 1908
18 Section 83 of Code of Civil Procedure 1908.
The Patent Act, 1970 provides for the enforcement of patents by way of suits for infringement. In dealing with these suits, the Indian Courts follow the traditional principles and procedures of civil litigation. However, after the coming into force of the TRIPs Agreement from 1995 various methods have been adopted by the legislators to improve the enforcement measures with regard to patents.

Under the Indian Patent Act 1970 High court and Distt. Court has power to hear and decide the cases of infringement of patents as the Indian Patent Act provides that no suit for infringement of a patent shall be instituted before a court inferior to the District court.\(^{20}\) The subordinate judiciary below the designation of District Judge is not competent to hear the cases of patent infringement. But where counter claim for the revocation of the patent is made by the defendant the suit along with counterclaim shall be transferred to the High court for decision making.\(^{21}\) In such cases, the High Court pronounces judgment on both the original claim of infringement and the counter claim of invalidity of the patent. Generally, in majority of infringement suits the defendant challenges the validity of the patent and makes a counter-claim for revocation. The effect of this is that infringement suits are generally decided by the High courts.

The Patents Act of 1970 provides many grounds for revocation and the defendant may obtain the benefit of those provisions. Thus Indian law permits a challenge to registration in the infringement proceedings in the form of asking for revocation.\(^{22}\) Therefore the original courts of jurisdiction under the Patents Act in India are District Court and High Court and in compliance to the TRIPs norms nothing has to be changed as Indian law was at par with the international norms proposed by the TRIPs Agreement.

A suit for infringement can be instituted only after the patent has been sealed. When a specification has been accepted and published \(i.e.,\) during the period when opposition has been called and is being decided, the applicants cannot institute a suit for infringement, but damages sustained due to the infringement, committed during the period \(i.e.,\) between the date of publication of acceptance of complete specification and the date of grant may be claimed in another suit; a separate suit for damages but not suit for infringement. When the term of the

\(^{20}\) Section 104 of Patents Act 1970.

\(^{21}\) ibid

patent has expired and infringement occurred during the term of the patent, a suit can be instituted during the term of even after the expiry of the term. In case a patent had lapsed and was subsequently restored, committed between the date on which the patent ceased to have effect and the date of publication of application for restoration.

When a patent was obtained wrongfully by a person and later granted to the true and first Inventor, no suit for infringement can be instituted for any infringement occurring before the period of such grant to the true and first inventor. The plaintiff (person who makes a plaint, i.e., institutes a suit) is not obliged to give a notice to the defendant (infringer) before instituting a suit. Court will issue a notice.

4.3.5. Procedure
The chapter XVIII of the Patents Act 1970 deals with suits for infringements and the term suit itself denotes that the Act provides for civil procedure. While deciding the cases of the infringement the general procedure applied in civil cases is followed as Indian Patents Act provides for civil remedies for the infringement. In any suit for infringement or any preceding before the court under this Act the court has been, empowered to appoint Independent scientific advisers to assist the court. Hence court can seek the opinion on the technical issues from these advisers while deciding the matter. The scientific advisors may be asked to inquire and report upon any questions of facts or opinion as it may formulate for the purpose. This patent dispute mechanism under Indian Patent Act 1970 is like other civil suits and there is no complicacy regarding the filing of the suit. The Act does not provide for different procedure to be applied by the courts.

4.3.6. Defenses
The defendant in a suit for infringement may plead one or more defenses. In any proceedings for infringement he can claim that the patent owner is not entitled to sue for infringement or deny any infringement. In such an infringement suit, the defendant may raise the question of the validity of the patent, which is then decided by the court. The defendant may also try to say that what is being done does not constitute infringement. Infringement is determined primarily by the language of the claim of the patent and, if what the defendant is making does not fall within the

language of any of the claims of the patent, there is no literal infringement. The defendant can make a counter claim for revocation in his written statement instead of a separate petition.\textsuperscript{24} The Patent Act provides that all the grounds on which a patent can be revoked under section 64 shall be available as grounds for defending infringement suit.\textsuperscript{25} The Act also provides that if infringement relates to making, using or importation of any machine, apparatus of other article or by using of any process regarding medicines or drugs, which are permitted under section 47, not constituting infringement can be adopted as grounds for defending suit for infringement.\textsuperscript{26} It is also open to any person to pre-empt any infringement actions by a competitor. The person can seek a declaration from the court that its exploitation of an invention will not constitute infringement of another person's patent.

Infringement suits are dilatory, may hamper the flow of business and involve considerable costs. To keep them at bay, a suit for a declaration as to non-infringement can be instituted. It is not necessary that the plaintiff must anticipate an infringement suit. Under section 105 of the Act it is open to any person after publication of grant of patent in patentee’s favour to institute a suit for declaration that the use by him for any process or the making, use or sale of any article by him does not or would not constitute an infringement of a patent. This procedure is subject to the condition that the plaintiff must first apply in writing to the patent holder or exclusive licensee for an acknowledgement to the effect that the process being used by the plaintiff does not infringe the rights of the patentee. The plaintiff should for this purpose provide to the patentee or the licensee full particulars in writing of the process or article in question. Secondly the patentee or the licensee should have refused or neglected to give such an acknowledgement.\textsuperscript{27} Therefore in nutshell it can be said that the following defenses are available in India in any suit for infringement for infringer:

1. The defendant can raise any of the grounds under which Patent can be revoked
2. If the infringement suit is against government The Government of India can also take the defense of its own use and in respect of Medicine or drug, for its own use of Govt. of India, for distribution in Govt. Dispensary and hospitals or by gazette notifications to other dispensaries, hospitals and medical institutions.

\textsuperscript{24} Shining Industries v Shri Krishna Industries AIR 1975 All. 231.
\textsuperscript{25} sec 107 (1) Indian Patent Act 1970.
\textsuperscript{26} 107 (2) ibid
\textsuperscript{27} Rodney D Ryder, (1999) supra note 22.
3. That the alleged infringement is regarding the act done for Experiment or research or imparting instructions to pupils.

4.3.7. Remedies

The text of TRIPS provides that the member countries have to provide injunctions and damages as two forms of remedies in their national law regarding IPRs and if countries desire they can also resort to criminal remedies provisions also. TRIPs agreement provides for injunction as a remedy for the violation of I.P.R. It lays down that The judicial authority shall have the authority to order a party to desist from a infringement of the I.P.R. But in the cases of the infringement by the Government or by the third party authorized by the Government, the injunction shall not be granted. In such cases remuneration will be awarded to the I.P.R. holder as in the cases of other use without authorization of the right holder under the Act. 31(h) of the TRIPs. Under new patent regime enshrined under TRIPs Agreement the judicial authorities shall have authority to order the infringer to pay the right holder damages adequate to compensation injury the right holder has suffered due to the infringement by the dependant. The defendant may also be ordered to pay the expenses of Attorney’s fees. In appropriate recovery of profits and payment of pre established damages may also be awarded. But if the right holder abuses the enforcement procedure and defendant suffers injury due to the abuse of enforcement procedure, the judicial authorities may provide in such cases indemnification of the defendant. The public authorities and officials are exempted from indemnifying if the action taken by them is in good faith.

The Courts in India are empowered under the Patents Act of 1970 to grant reliefs against violation of Intellectual Property rights, and the parameters reflected in Part III of the TRIPS Agreement are already adopted enabling the courts to protect these private rights. The Patents Act of India 1970 had already these provisions in the section 108 of the Act. In addition to these two reliefs Indian Patent Act also provides for third relief in the form of accounts of profits. The Act makes it optional for the plaintiff to either opt for damages or accounts of profits. Both the reliefs can not be granted.

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28 Art 44 (1) of TRIPS (1994)  
29 Art. 44 (2) ibid  
30 Art.45 (1) ibid  
31 Art.45 (2) ibid  
32 Art. 48 (1) ibid  
33 Art, 48(2) ibid
This can be briefly outlined:

4.3.7.1 Injunction

The statutory safeguards against infringement of the intellectual property rights in form of injunction and damages are universally recognized. Injunctions act as a preventive relief to the patentees. The patent owner at the start of a trial can request for an interim injunction in order to restrain the infringer from continuing the infringement to prevent further losses. Permanent injunction is given based on the merits of the case at the end of the trial. A patent owner is entitled to the relief of damages as compensation to the patentee and not punishment to the infringer. The patent owner may also opt for the account of profits where he has to prove use of invention and the amount of profit derived from such illegal use.

Apart from the specific provisions of empowering the Courts to issue injunction contained in the Intellectual Property laws as noted above, there are provisions in the specific Relief Act under section 36, 37 and 38 for grant of preventive relief by injunction, temporary or perpetual, at the discretion of the court. The infringement proceedings being civil in nature the remedies in form of injunctions either temporary or permanent exist for patents infringement also. A perpetual injunction can only be granted by the decree made at the hearing and upon the merits of the suit and the defendant is thereby perpetually deterred from the commission of an act, which would be contrary to the rights of the Plaintiff. On the other hand during the pendency of litigation temporary injunctions can be granted during the pendency of the suit and are regulated by the CPC (Order 39). For the grant of temporary injunction, the Delhi High Court laid down the principle as 1) there is prima facie case that the patent is valid and infringed 2) The balance of convenience is in favour of the injunction being granted 3) the plaintiff will suffer an irreparable loss.

Since the nature of injunctions in the patent infringement proceedings are prohibitory in nature the temporary injunction is granted at the discretion of the court on the parameters applied to other suits of civil nature. The permanent injunction can not be granted by the court without going through the full proceedings and on the merits of the case after being established grounds

34 Sec 108 of Patents Act 1970.
35 National Research and Development Corporation of India v Delhi Cloth and General Mills Co. Ltd AIR 1980 Delhi 132.
and on other hand temporary injunction operates as a redressal for shorter period granted at the discretion by the judicial authority after taking into consideration the balance of convenience. While granting interim injunction the court do generally take into consideration any damage suffered by any defendant from the injunction, should the plaintiff fail at the trial.

The TRIPs Agreement also provides for indemnification of defendant in suit for infringement if suit proves to be frivolous. The regard may be given to this clause and the plaintiff may also be asked to pay indemnification amounts if in any temporary injunction the time period stretches long due to lengthy procedure of the proceedings before the courts. The defendant is also empowered to apply before the courts for the restitution in case of the interlocutory orders are vacated. Therefore taking into account the collective procedure existent in different laws the courts, however, courts have ample discretion to impose terms and conditions while granting interlocutory orders or taking provisional measures to ensure appropriate compensation is paid to the defendant who ultimately is found not to have done any infringement. Where no specific provision is made it has inherent jurisdiction under Section 151 of the Code to make orders necessary for the ends of justice. The injunction generally is the easiest available remedy. The proof of past infringement will normally be sufficient for this remedy. The first aim of the right holder is to pin down the infringer from making use of the patent. Thus the interim order of injunction will not only stop further infringement, it will also work as deterrent for the competitor and devastate his reputation in the market.

4.3.7.2 Damages

The second remedy which the Patents Act provides is in the form of damages to be awarded in favour of the plaintiff against the defendant. Damages can be claimed by the plaintiff on the basis of loss caused to him or profit accrued to the infringer. General trend in awarding the damages is to put the plaintiff in the position had there not been any infringement. Damages are pecuniary compensation equaling the injury caused to the patent right holder. The amounts may vary accordingly depending upon the nature of the case by case. The measure depends upon whether to grant loss of profit or loss of royalties which otherwise would have accrued to the patentee. The other things which can be taken into consideration are the loss of reputation in the market.

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36 Section 144 of CPC 1908
37 Section 108 Patents Act 1970.
market and harassment to the plaintiff by act of the infringer. The judicial precedents provide
general guidelines for assessing damages and the judges can have their own approach to deal
with a particular assessment with a view to provide adequate and just compensation for the loss
suffered by the plaintiff.

4.3.7.3 Accounts of Profit:38

The third remedy is optional at the instance of the plaintiff as Patents Act provides that plaintiff
can ask for either damages or accounts of profit. If plaintiff does not ask for the damages as
remedy he can ask for the accounts of profits. Under this remedy the profits earned by the
defendant by violation of the patent rights have to be rendered to the plaintiff. Where the court
refuses to grant interim injunction, it can ask the defendant to either himself or through other
person to keep the proper accounts of transactions and profits so that in case the final decision
goes against him, he may be ordered to render accounts of profit in favour of the plaintiff. The
little respite to the defendant is that if innocent violation of patent rights is proved he can not be
held liable for damages or accounts of profit however he will be restrained from violation in
future by granting permanent injunction against him.39 The defendant is having onus of proof
that he was not knowing that whatever he was doing amounts to the infringement or not having
the knowledge of any existence of the patent. The intellectual property protection in the form of
patent rights as laid down in the Patents Act sets out the remedies that are open to patentee for
successfully enforcing his rights. The owner of patent rights who has established infringement of
patents must elect as to whether to be compensated for that infringement by payment of damages
or account of profits. Account of profits is intended to prevent unjust enrichment to the defendant
whereas damages is designed to put the plaintiff in the same position as it would have held if the
infringement had not occurred.

4.3.7.4 The Destruction of goods

After the second Amendment of the Act in 2002 new sub section (2) was inserted in the section
108 which empowers the courts to seize, forfeit, or destroy the goods which were found to be
infringing with out payment of any compensation. The infringer upon being found guilty of the
infringement of patent rights may suffer a double blow now as he is liable to damages or
accounts of profit to the plaintiff and on other side this amendment has empowered the courts to

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38 ibid
order the seizer, forfeiture or to destroy the infringed production and that too without paying any compensation for such goods/products.

The usual course of action in any suit for infringement is that the issue of liability is decided first and only after that if the decision is in favour of the plaintiff the issue of how much recompense should be given arises. The successful plaintiff has the option either to opt for the damages he had suffered or the profits made by the infringer to be paid over to him. As to the measure of the damages the plaintiff is entitled to exact compensation for the pecuniary damage he has actually suffered that can be fairly attributable to the infringement. On the accounts of profit it is the infringer's profit that accounts not the plaintiff's profit. It is very difficult to be assessed as only the profits earned by infringement are liable to be assessed not the profit from other means and it sometimes difficult to separate the accounts of profits.

4.3.8 Remedies against unjustifiable threats

The court authorized for the purpose of hearing and decide the cases of infringement of patents does have the power to grant relief including injunction and at the option of the plaintiff either damages or an account of profit. It is up to the plaintiff if what does he opt. Another interesting procedure which Indian Patent Act provides is the power granted to the court to grant relief in the cases of groundless threats of infringement proceedings. Where any person whether entitled or not threatens other persons oral or in writing with proceedings for the infringement of patent, any person aggrieved by these threats may also bring a suit for following relief.40

(i) A declaration to the effect that the threatens are unjustifiable,
(ii) An injunction against the continuance of threats.
(iii) Such damages if any he has sustained.

However the court is authorized to grant damages or an account of profit in the cases of infringement of patents but the relief in form of damages or an account of profit will not be awarded by the court if defendant proves that he was not aware of the existence of the patent.41 In such cases only injunction can be granted and he can be debarred from continuing his infringement of patent.42 Earlier before the amendment of 2002 the court however had the power to grant injunction but where defendant was willing to get license upon terms and conditions to be settled by the Controller of Patents the injunction could not be granted. In such cases the court

40 Sec 106 ibid
41 Sec.111 (1) ibid
42 Sec. 111 (2) ibid
had discretion to grant damages equal to double of the fees which was payable if license should have been granted.\textsuperscript{43}

The Act does not define or mention as what constitutes threat for the purpose of this section, but it seems that it can be made in any manner, whether oral or in writing. The mere notification of the existence of a right to sue for infringement of patent rights does not constitute a threat. The threat should be explicitly restricted to the jurisdiction in which the infringement has allegedly occurred. Notwithstanding a threat being made the enterprise can defend its position if it is able to say that the threat was justified. Essentially if the alleged infringement acts are found to constitute infringement then the threat would have been justified. Consequently the determination of whether an unjustified threat has occurred will only be determined once the issue of infringement has been settled.

\textbf{4.3.9 Criminal liability}

In the Indian Legal System, Civil and Criminal modes of redress are largely kept separate. In the field of intellectual property stringent punishments are prescribed in respect of the offences of infringement. Chapter XX of the Patents Act 1970 lays down provisions for penalties which are criminal proceeding in nature but for infringement of the patents the Act does not provides criminal procedure. The norms of TRIPs providing for criminal remedies for IPRs have been included for the infringements of copyrights. In criminal proceedings there would be no possibility of securing an interlocutory order to stop further infringement pending the trial and the burden of proof would be higher than in civil action. Therefore, most claimants resort to civil remedies which are more useful to them than punishment in the name of the State. Prosecutions would however have a great deterrent effect against infringement of the intellectual property rights.

\textbf{4.3.10 Alternative dispute resolution}

Since the new patent regime is going to open the flood gates of patents and obviously the increase in the litigation is unavoidable. The parties may resort to the alternative dispute resolution in the form of arbitration and conciliation. To avoid the lengthy and costly legal process may be of great importance and help for these types of disputes. The Dispute settlement Procedure as is applicable to all the Agreements that WTO encompasses also lays down the similar process in case any dispute arises between member countries regarding any subject

\textsuperscript{43} Section 112 of the Patents Act Repealed by Second Amendment Act 2002 ( w.e.f. 20-5-2003.)
matters under WTO. Arbitration may sometimes render apprehension of risk because of the uncertainty of the result and the costs involved. Despite this, arbitration can be a useful mechanism where the source of dispute is a technical rather than legal matter, and where the dispute relates to an international patent. In the latter circumstance it is common for the parties to invoke the arbitration or conciliation rules declared by the United Nations Commission on International Trade Law (UNCITRAL). Enforcement of patent rights in its character as it is now after implementation of WTO norms inherently raises the specter of litigation. The parties who are reluctant to go drawbacks associated with litigation have fostered alternative mechanisms to resolve disputes such as mediation and arbitration and it is now common to find a standard clause in contracts requiring the parties to at least attempt some form of ADR before resorting to litigation. Mediation, which typically entails a mutually respected independent person facilitating a settlement, will only succeed if all participants in the dispute are truly open-minded about resolving the dispute. It is surprising to hear about the number of disputes which were referred to a mediator that were not resolved by mediation because resolution short of a judicial or arbitral decision would not meet one party’s objectives.

4.4 **Appellate jurisdiction:**

The original patents Act of 1970 had provisions regarding appeals in chapter XIX under section 116. Appellate Jurisdiction in the cases regarding patent was with the High Court that too in limited cases. Sub section 1 of section 116 denied any appellate rights against any decision, order or direction made or issued by Central Government, or from any act or order of Controller for the purpose of giving effect to any such decision, order or direction. The Act laid down certain provisions only under which the appeal could be filed in the High Court. The appeal was to be filed within three months from the order or direction of the Controller. The appeal could be filed only on following grounds before the High Court:

(i) Power of controller to examination of application (sec 15-20 of I.P.A.1970)
(ii) Opposition in grant of patent (sec 25, 27, 28 of I.P.A.1970)
(iii) Patent of addition (sec 54)
(iv) Power of controller to give directions to co-owner (sec 51)
(v) Amendment and specification of application before controller (sec 57)
(vi) Application for restoration of lapsed patents (Sec 60)

*Section 116 (2) Now repealed by Second Amendment Act 2002*
(vii) Registration of patents (sec 69 (3))
(viii) Power of controller to correct clerical errors (sec 78)
(ix) Compulsory licenses (sec 84, 86, 88(3) 93, 96, 97.
(x) Revocation of patents (sec 89)

Every appeal filed before High Court were to be in the form of petition and in the form of the rules made by High Court. Every such appeal was to be heard by a single Judge of the High Court. However the Judge was empowered at any stage to refer the appeal to the Bench of the High Court. The Act also provided that every such appeal was to be heard an expeditiously as possible with in a period of twelve months from the date on which it is filed.

4.4.1 Appellate Board

This Appellate procedure enshrined in chapter XIX was repealed by Second Amendment Act of 2002 and substituted by new Chapter XIX. The Act sets up Appellate board to hear appeals instead of the High Court. The Act of 1970 as amended now after amendment of 2002 lays down that the Appellate Board established under the Trade Marks Act 1999 (sec.83) shall be the Appellate Board for the purposes of this Act and the said Appellate Board shall exercise the jurisdiction, power and authority conferred on it by or under this Act. The Central Government is empowered to establish Intellectual Property Appellate Board (IPAB) and vest Board with jurisdiction, powers and authority.

4.4.1.1 Composition of Appellate Board

The appellate Board shall consist of a Chairman, Vice Chairman and such number of other members as the Central Government may provide and different Benches of Appellate Board may also be specified for exercising their powers. The Central Government may notify the division of the business of the each Bench. The Bench of Appellate Board shall consist of one Judicial member and one Technical member. The decision of the Chairman in any question regarding

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45 Section 117 (1) repealed
46 section 47 of Amendment Act 2002
47 sec 116 as it stands now after the Amendment act 2002.
48 sec 84 (1) The Trade Marks Act, 1999.
49 Sec 84 (2) ibid
any matter whether it falls with in purview of Bench, shall be final. The Chairman and Vice Chairman holds their office for five years or they attain the age of 65 years whichever is earlier while members however are also appointed for five years but upper age limit in their case is 62. If any vacancy does fall in the office of the Chairman due to the reason of death, resignation or otherwise the Vice Chairman will officiate as Chairman till the vacancy is filled. In case the office of Chairman and Vice Chairman both are vacant the senior most member will officiate as Chairman. The same provision applies in case of absence due to the reason of illness or otherwise also.

Under section 117 of the Patents Act the Central government is also empowered to appoint to officers and other employees required to assist the Appellate Board in discharge of its functions under the Act and provide the Appellate Board with such officers and employees as it may think fit. The employees so appointed shall work under the general superintendence of the Chairman.

4.4.1.2 Qualifications

The President of India appoints the Chairman, Vice Chairman and every other members however the appointment of Chairman is to be made only after consulting chief justice of India. The Act lays down the qualification for Chairman, Vice Chairman and Members under the Trade Marks Act as under:

**Chairman**

a) if he is or has been a High Court judge

b) if he has held the office of Vice Chairman for two years

**Vice Chairman**

a) if has held office of judicial or technical member for two years

b) held any post in Grade I or any higher post in Indian Legal Services for five years.

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50 sec 84 (5) ibid
51 sec 86 ibid
52 sec 87 (1) ibid
53 sec 87 (2) ibid
54 sec 85 (5) ibid
55 sec. 85 (6) ibid
56 sec 85 sub clauses 1 to 3 ibid
**Judicial Member**  
  
   a) if he has held Grade I post in Indian Legal Services for three years  
   
   b) or held civil judicial office for 10 years.

**Technical Member**  

   a) has, at least five years, held the post of Controller under this Act or has exercised the functions of the Controller under this Act for at least five years; or  
   
   (b) has, for at least ten years, functioned as a Registered Patent Agent and possesses a degree in engineering or technology or a masters degree in science from any University established under law for the time being in force or equivalent; or  
   
   (c) has, for at least ten years, been an advocate of a proven specialized experience in practising law relating to patents and designs.

4.4.1.3 Procedure

The Appellate Board shall have the same powers under the Civil Procedure Code 1908 as civil courts does have while deciding matters before it for the purpose of receiving evidence, issuing commissions for examination of witnesses, requisitioning any public record and any other matter which may be prescribed but it is not bound to follow the civil procedure laid down in CPC 1908 rather can apply its own procedure for which section 117 H empowers the Appellate Board to make rules consistent with the Act as to conduct and procedure in respect of all proceedings before it. However the norms of natural justice will have to be applied. The Chairman either himself or upon request by any party to the appeal and giving notice to other parties and after hearing the parties, is empowered to transfer cases from one Bench to another Bench.

The Appellate board will not grant ex parte interim orders as the Act provides that the interim order in the form of injunctions will not be made unless the opposite party is served the copies of all documents filed in support of appeal and opportunity of being heard is given to the opposite party.

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57 116 (2) of Patents Act 1970.  
58 sec 92 (2) TM Act 1999  
59 sec 92 (1) ibid  
60 sec 96 ibid
4.4.1.4 **Jurisdiction:**

Since originally the High Court was empowered to hear the appeals before the amendment of 2002 upon subject matters discussed above, the abolition of appellate jurisdiction of the High Courts after the amendment and establishment of Appellate Board has taken over the jurisdiction in appellate matters. Earlier the second amendment provided for the transfer of cases in appeals before High Courts against the order and decisions of the Controller and all cases pertaining to rectification of register, to Appellate Board but the third amendment of 2005 substituted this section with new section 117 G.\(^1\) This amendment lays down that .-All cases of appeals against any order or decision of the Controller and all cases pertaining to revocation of patent other than on a counter-claim in a suit for infringement and rectification of register pending before any High Court, shall be transferred to the Appellate Board from such date as may be notified by the Central Government in the Official Gazette and the Appellate Board may proceed with the matter either de novo or from the stage it was so transferred.". Therefore now High Court has only original jurisdiction to hear the infringement suits referred along with counter claim before it. The Appellate Board does also have certain grounds upon which an appeal can be made before it. The Act provides the following grounds:\(^2\)

(i) Power of controller to examination of application (sec 15-20 of I.P.A.1970)
(ii) Against the order of opposition board (25(4)
(iii) Against the mention of inventor’s name ( sec 28)
(iv) Patent of addition (sec 54)
(v) Power of controller to give directions to co-owner (sec 51)
(vi) Amendment and specification of application before controller (sec 57)
(vii) Application for restoration of lapsed patents (Sec 60, 61)
(viii) Surrender of patents ( section 63)
(ix) Registration of patents (sec 69 (3)
(x) Power of controller to correct clerical errors (sec 78)
(xi) Compulsory licenses (sec 84(1 to 5) 85, 88, 91, 92 and 94).
(xii) Revocation of patents in public interest ( sec.66)

\(^1\) sec 63 of Amendment Act of 2005
\(^2\) sec. 117 A (2) of Patents Act 1970.
 Registration of assignment and transmission etc. (sec.69(3))

The Patents Act provides that the appeals against the order of the Controller or Central Government shall be made in prescribed form along with the copies of the order against which the appeal is being filed with prescribed fees.\(^63\) The limitation for the filing of appeal is three months from the date of the decision, order or direction of the Controller or Central Government.\(^64\) In addition to this the Appellate Board has also been granted original jurisdiction regarding an application for revocation of patents under section 64 of the Act and an application for rectification of the register\(^65\) and any order passed by the Appellate Board shall be communicated to the Controller who will abide by the orders.\(^66\) As the Act is silent regarding the limitation prescribed for filing application for rectification, the application will be governed by the provisions of Art. 1337 of the Limitation Act 1963 whereby it will have to be filed with in three years from the date when the applicant's right to apply accrued.\(^67\)

4.4.1.5. Bar of jurisdiction of courts,

Section 117 C of the Patents Act debars the courts from exercising jurisdiction over the matters which the Appellate Board has been authorized under section 117A (2) whereby the orders and directions of Controller or Central Government has been made appealable and 117 D where the Appellate Board has been given the authority to have original jurisdiction over the matters relating to revocation of patents and rectification of register.

4.4.1.6. Summoning of Controller in legal proceedings.

Since the matters before the Board are to be decisions or orders and directions of the Central Government, except revocation of patent and rectification of register where direct an application will have to be filed before the Board, generally matters will be regarding decision and orders of The Controller. The Act lays down that The Controller has right to appear before the Appellate

\(^{63}\) sec 117 A (3) ibid  
\(^{64}\) sec 117 A (4) ibid  
\(^{65}\) sec 117 D (1) ibid  
\(^{66}\) sec 117 D (2) ibid  
Board in person or submit a statement signed by him. Where application for revocation or rectification of register has been made and relates to any question relating to the practice of the patent office, the Controller has right of appearance and being heard. The Controller can also be directed by the Board to appear in public interest.

Unless the Appellate Board otherwise directs, the Controller may, in lieu of appearing, submit a statement in writing signed by him, giving such particulars as he thinks proper of the proceedings before him relating to the matter in issue or of the grounds of any decision given by him or of the practice of the patent office in like cases, or of other matters relevant to the issues and within his knowledge as the Controller may deem it necessary, and such statement shall be evidence in the proceeding. In all proceedings under this Act before the Appellate Board, the costs of the Controller shall be in the discretion of the Board, but the Controller shall not be ordered to pay the costs of any of the parties.

4.5 TRIPs and dispute settlement mechanism

A dispute arises when a member government believes another member government is violating an agreement or a commitment that it has made in the WTO. The authors of these agreements are the member governments themselves — the agreements are the outcome of negotiations among members. Ultimate responsibility for settling disputes also lies with member governments, through the Dispute Settlement Body. Dispute settlement is the central pillar of the multilateral trading system, and the WTO’s unique contribution to the stability of the global economy. Without a means of settling disputes, the rules-based system would be less effective because the rules could not be enforced. The WTO’s procedure underscores the rule of law, and it makes the trading system more secure and predictable. The system is based on clearly-defined rules, with timetables for completing a case. Disputes in the WTO are essentially about broken promises. WTO members have agreed that if they believe fellow-members are violating trade rules, they

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68 117 E (1) (a) of Patents Act 1970.
69 117E (2) ibid
70 117 F ibid
71 http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm last visited on 12\textsuperscript{th} March 2008
will use the multilateral system of settling disputes instead of taking action unilaterally. That means abiding by the agreed procedures, and respecting judgements.

4.5.1 Administrative structure of WTO.

The signing of the GATT emerged in one final organization comprising of all areas on which talks were held in the Uruguay Round. A World Trade Organization (W.T.O) has been created to replace GATT secretariat in Geneva and administer the Uruguay Round. The agreement establishing the W.T.O. envisages a single institutional framework encompassing the complete result of the Uruguay Round. The WTO is run by its member governments. All major decisions are made by the members as a whole either by ministerial conferences or by representatives of the member countries in General Council when they meet. Generally the decisions are taken by the consensus. If consensus can not be reached the decision will be made by voting. Each member country has one vote. The structure of the W.T.O. is headed by a ministerial conference meeting at least once every two years. A General Council has been established to oversee the operation of the agreement and ministerial decisions on a regular basis. This General Council will act itself as a Dispute Settlement Body and Trade Policy Review Mechanism which will concern themselves with the full range of trade issue covered by the W.T.O. and will also establish subsidiary bodies such as Goods Council Service Council, and a TRIPs council which shall operate under the general guidance of the General Council. These councils are also empowered to establish subsidiary bodies as required to function.

The secretariat of the W.T.O. will be headed by Director General of W.T.O. appointed by the ministerial conference. The Director General of the WTO is empowered to appoint the other officers of the secretariat and determine their duties and conditions of service in accordance with the regulation adopted by the Ministerial conference.

4.5.2. Dispute settlement mechanism under W.T.O.
The dispute settlement system of the GATT was considered to be one of the cornerstones of the world trade order. The system was developed after the Negotiation and now the dispute settlement system is a central element in providing security and predictability to the multilateral trading system. In the form of ‘WTO Understanding on Rules and Procedures Governing the settlement of Disputes 1994’ as Annexure 2, a separate agreement provides the dispute settlement procedure of the WTO. Art. 2 of the said Agreement constitute the Dispute Settlement Body (DSB). Recommendations or rulings made by the Dispute Settlement Body (DSB) shall be aimed at achieving a satisfactory settlement of the matters in accordance with the rights and obligations under this understanding and under the covered agreement.81 Rules and procedures governing the settlement of disputes under the W.T.O. will administer the dispute settlement system in all the areas covered by the W.T.O. These rules will also apply on the Intellectual Property Rights regime proposed under TRIPs. General Council of the W.T.O. will constitute the Dispute Settlement Body (D.S.B.) and Council of TRIPs will be governing the implications of the TRIPs Agreement. However the member countries will provide in their national legislation the judicial process according to the text of the TRIPs Agreement but if any dispute does arise regarding the matter, the rules and procedures of the settlement of Dispute provided in the text of the Agreement will apply. The D.S.B. shall have authority to establish panels, adopt panels and appellate body reports and implement rulings.82 The aim of the dispute settlement mechanism is to secure a positive solution to a dispute. A solution mutually acceptable to the parties to a dispute and consistent with the covered agreement is clearly to be preferred. 83 In this respect, the key element in the WTO is its DSB, which exerts a considerable influence on world trade and diplomacy. Its aim is to maintain the judicial rights and obligations of each of the WTO Members. Moreover, unlike other judicial systems of this type, its mechanism is based on a large jurisprudence that clarifies and develops laws that stem from the Marrakech agreement. On the whole, more than any other international organization, the WTO is truly capable of ensuring the effectiveness of all its regulations laid down in the agreement it administers. The immediate consequence of such a system is that the developing countries take frequent recourse to this

82 Art.2(1) WTO Understanding on Rules and Procedures Governing the settlement of Disputes 1994 herein referred as DSU (1994)
83 Art. 3 (7) ibid.
dispute settlement mechanism, bringing before it litigation against developed countries as well as other developing countries.\textsuperscript{84}

Thus the general council has been empowered to work as a D.S.B. and adopt any decisions. Mutual compromise has been given preference as the parties may rely to have mutual solutions to a dispute. Therefore the dispute settlement mechanism applies to all the Agreements of the WTO and beside national mechanism which had to be strengthened; the members' countries may resort to WTO mechanism in case there is any controversy regarding the implementations of the provisions of the TRIPs agreement in any form. The procedure laid down in DSU primarily prefers negotiation between the parties and aims at the amicable settlement of the dispute. The DSU mechanism can be discussed under the following procedural heads—

4.5.2.1. Consultations:

The DSU mechanism starts with the amicable settlement efforts between the parties to the dispute. If any dispute do arise between member countries or parties with regard to the I.P.R. the member country will undertake to accord sympathetic consideration and afford adequate opportunities for consultations regarding any representations made by another member country concerning measures affecting the operation of, the covered agreement\textsuperscript{85} So in any dispute the prior stage will be the consultation stage. Consultation clause is providing settlement of the dispute at prior stage with mutual consent satisfactorily. Art. 4 of the DSU lays detailed procedure for the consultation stage between the parties. The provisions look more based on the doctrine of contractual obligations than forced law. Art. 4 (3) of DSU clearly mentions that unless otherwise mutually agreed the member country to whom request for consultations has been made, will have to reply within 10 days after its receipt and shall enter into consultation in good faith within 30 days from the date of request with a view to reaching a mutually satisfactory solution. All such requests for consultations shall be notified to the D.S.B. and relevant council and committees by the member, which requests for consultations. Requests for the consultation shall be in writing and containing reason for request and legal basis for the

Consultation shall be confidential and without prejudice to the rights of either member in any further proceedings. Member countries should give special attention to the interests and particular problems of the developing countries during consultations. A member other than consulting members may be allowed to participate in consultation if the interests of the other member occur. But such other member will be allowed only if the member which are parties to the consultation and who has made the request for the consultation agrees to allow third party to participate in the consultation. The such other member will have to notify the consulting members and D.S.B with in 10 days of the circulation of the request for consultation. WTO allows collective complaints against one defending state, complainant states tend to sue collectively rather than individually. This mechanism enables reducing transaction costs for disputes, as well as strengthening the legal merit of the case. In addition, states can participate in disputes as a third-party and submit their own opinion regarding the case. So the Dispute Settlement procedure has made provisions to make the dispute being decided mutually by the consultations at the initial stage to avoid the procedure of the D.S.B. If third party, at any stage finds that its interests are also involved, has also been given the right to participate in consultation after taking approval from the member upon whose request the consultation is taking place. Although much of the procedure does look a lot like a court or tribunal, the ideal solution for the countries concerned is to discuss their problems and settle the dispute by them. The first stage is therefore consultations between the governments concerned, and even when the case has progressed to other stages, consultation and mediation are still always possible.

### 4.5.2.2 Establishment of panels:

The role under DSU mechanism in reality starts with the establishment of the panel because consultations are primarily based upon the parties for which they may mutually agree. The request for the establishment of a panel can be made before the DSB in following reference:

i) If the requested member does not respond within 10 days,

ii) Responds but does not enter into consultation within 30 days,

iii) Consultation fails to draw any settlement within 60 days.

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86 Art. 4 (4) ibid.
87 Art. 4 (6) ibid.
88 Art. 4 (10) ibid.
89 Art. 4 (11) ibid.
90 Art. 4 (3) ibid.
91 ibid.
iv) In case of urgency the consultation fails to settle dispute within 20 days,\textsuperscript{93} The request for the establishment will be made in writing to the DSB and describe all the fact regarding the request for consultations or if consultations took place, the summary of the proceedings etc.\textsuperscript{94} The panel will be established in the latest meeting of the DSB to be held after the request is received by the DSB.\textsuperscript{95} D.S.B. may decide by the consensus not to establish a panel\textsuperscript{96} Panel shall be composed of three panelists. If the parties to the dispute do not agree then panel will consist of five members\textsuperscript{97} The panel will consist of the well qualified governmental or nongovernmental individuals including persons who have served on or presented a case to a panel, served as a representative of a Member or of a contracting party to GATT 1947 or as a representative to the Council or Committee of any covered agreement or its predecessor agreement, or in the secretariat, taught or published on international trade law or policy or served as a senior trade policy official of a member.\textsuperscript{98} The secretariat of the W.T.O. shall propose the nomination for the panels from the list of panelists selected by the secretariat. The parties to the dispute have not been given any-right to oppose the nomination except for compelling reasons\textsuperscript{99} If from the establishment of a panel there is no agreement on the panelists within 20 days then Director General of the W.T.O. at the request of any party shall form the panelists after consulting the chairman of the D.S. B. and relevant councils.\textsuperscript{100} The agreement also provides that when one of the member to dispute is a developing country member then at the option of that member at least one panelist will be from developing countries\textsuperscript{101} The function of the panel is to assist the D.S.B. in discharging its responsibilities\textsuperscript{102} The very constitution of the panel will guarantee that the possibility of a dispute being settled in favour of a developing country will be drastically reduced\textsuperscript{103} The request for the establishment of the panel only occurs when the second party is not either willing to start consultations or it fails within the stipulated period. The

\textsuperscript{92} Art. 4 (7) DSU (1994)  
\textsuperscript{93} Art. 4 (8) ibid.  
\textsuperscript{94} Art. 6 (2) ibid  
\textsuperscript{95} Art. 6 (1) ibid.  
\textsuperscript{96} Ibid.  
\textsuperscript{97} Art. 8 (5) ibid  
\textsuperscript{98} Art. 8 (1) ibid.  
\textsuperscript{99} Art. 8 (6) ibid.  
\textsuperscript{100} Art. 8 (7) ibid  
\textsuperscript{101} Art. 8 (10) ibid  
\textsuperscript{102} Art. 11 ibid.  
period within which the parties to the dispute have to settle their matter amicably is sufficient enough for any settlement to be reached at if the parties are interested. The request for establishment of the panel will only result in case of any harsh dispute. There will be only one member from the developing countries to the panel and that also on the request of that developing country member to dispute. The outcome of the working of the panel will be biased in the favour of the developed countries. Developed countries have got the extra lacuna in the form of integrated dispute settlement system to strengthen their position and dominance over the developing country members. The panelists from the developed countries can’t understand the basic problem of the developing countries and the fear of bias attitude is evident from the very formation of the panels.

4.5.2.3. Procedure

Art. 11 of the DSU 1994 requires a panel to make an objective assessment of the matter before it, including an objective assessment of the facts of the case and the applicability of and conformity with the relevant covered agreements, and make such other findings as will assist the DSB in making the recommendations or in giving the rulings provided for in the covered agreements. The panel has been obliged to serve promptly in its procedures. After the composition of the panel within one week it will fix the time for the process taking into account all formalities. The panel will give sufficient time for the parties to prepare their submissions and the panel shall set precise deadlines for written submissions which will have to be respected by the parties.

Further Art. 12 of DSU also lays down the time period within the panel will have to conduct its examinations. However in general the panel will have to do its work in six months and three months in case of urgency, from the date of establishment but DSB can enhance the period of reference for three months. Art. 13 empowers the members of the panel to seek information and technical advice from any individual or body which it deems appropriate. The panel may seek information from any relevant source and consult experts to obtain their opinion on certain aspects of the matter.

104 Art. 12 (3) DSU 1994
105 Art. 12 & 13 ibid.
The reports of the panel shall be drafted in the absence of the parties to the dispute on the basis of information provided and statements made.\textsuperscript{106} The panel shall then submit the subscriptive report to the parties and set time for, the parties to submit their comments on the report.\textsuperscript{107} If the parties feel suffered they may request the panel to review precise aspect of the report prior to the circulation of final report\textsuperscript{108} After that the report of the panel is submitted to the DSB. The parties may raise any objection to the report within 10 days prior to the meeting of the DSB in which the report is to be discussed.\textsuperscript{109} The Agreement also entitles the parties to participate in the consideration of the panel report by the D.S.B.\textsuperscript{110} The panel report shall be adopted by the D.S.B. within 60 days of the issuance of panel report to the members\textsuperscript{111}

4.5.2.4. Composition and powers of Appellate Body:

The other important feature of the Dispute settlement mechanism under the W.T.O. agreement is the establishment of the appellate body by the DSB to hear appeals from the panel cases. The Appellate Body consists of seven members, three of whom shall serve as permanent members who will sit in all the cases. Their term will be two years. The other four members appointed will serve the office in rotation for the term of four years and can be reappointed once. The appellate body shall comprise persons of recognized authority, with demonstrated expertise in law, international trade and the subject matter of the covered agreements generally and should not be affiliated to any government.\textsuperscript{112}

The right to go in appeal is only with the parties to the dispute. Third party do not have any right to appeal however on notifying the D.S.B. of substantial interest in the matter, They may be given opportunity to be heard by the appellate body.\textsuperscript{113} The time limit within which the proceeding will be completed has been fixed 60 days extendable up to 90 days with the permission of DSB upon request made by appellate body.\textsuperscript{114} Either side to the panel case can appeal against panel's ruling, or both sides can. The appeal can uphold, modify or reverse the

\begin{itemize}
  \item Art. 14 (2) ibid.
  \item Art. 15 (1) ibid.
  \item Art. 15 (2) ibid.
  \item Art. 16 (2) ibid.
  \item Art. 16 (3) ibid.
  \item Art. 16 (4) ibid
  \item See Art. 17 ibid
  \item Clause 4 ibid
  \item Clause 5 ibid
\end{itemize}
panel’s legal findings and conclusions. The Dispute Settlement Body has to accept or reject the appeals report within 30 days and rejection is only possible by consensus.

The appeal shall be limited to the issues of law covered in the panel report and legal interpretation developed by the panel. The appellate body may uphold, modify or reverse the legal findings and conclusions of the panel. The report of the appellate body will be submitted to the D.S.B. If D.S.B. adopts the report of the Appellate body the parties to the dispute will have to accept the report unconditionally. However D.S.B. may decide by Consensus not to adopt the report of appellate body within thirty days following its issuance to the members. The panel and the appellate body also do have the powers to recommend the member country to bring the measure into conformity with the covered agreement. The whole process from the establishment of the panel to adoption of the appellate report by the DSB must be completed within the time frame of maximum one year. The article 20 of the DSU clearly mentions that if the panel report is appealed the time limit is 9 months and if the appeal against the panel report is filed then it must be adopted within 12 months. The extension taken by the panel or appellate body will not be considered for the calculation of the period.

4.5.2.5. Compliance

The D.S.B. is the final authority in the dispute settlement mechanism under the W.T.O. and the decisions of the D.S.B. will have to be implemented by the required procedure. The DSB meeting will be held within the 30 days of the adoption of the panel or appellate body report by itself. If the meeting of the DSB is not in schedule within 30 days, the special meeting will be held for this purpose. The member country will inform the DSB of its intention to implementation of the recommendation and rulings of the DSB. The member concerned will be reasonable time to comply or can either get the time limit approved in the meeting. The implementation time can be mutually agreed by the parties within 45 days from the date of adoption of the recommendations and rulings by DSB. In the absence of this agreement the
parties may agree through the arbitration the time within 90 days but the period of implementation should not exceed more than 15 months from the date of adoption of the recommendations and rulings. The parties will appoint the arbitrator themselves and if they fail to reach at consensus within 10 days after referring the matter to arbitration, the arbitrator shall be appointed by the Director General within 10 days after consulting parties. It must state its intention to do so at a Dispute Settlement Body meeting held within 30 days of the report’s adoption. If conforming to the recommendation immediately proves impractical, the member will be given a “reasonable period of time” to do so. If it fails to act within this period, it has to enter into negotiations with the complaining country in order to determine mutually acceptable compensation for instance, tariff reductions in areas of particular interest to the complaining side. If after 20 days, no satisfactory compensation is agreed, the complaining side may ask the Dispute Settlement Body for permission to impose limited trade sanctions suspend concessions or obligations against the other side. The Dispute Settlement Body must grant this authorization within 30 days of the expiry of the “reasonable period of time” unless there is a consensus against the request.

Compensation and suspension of concessions or other obligations are temporary measures available in the event that the recommendation and ruling are not implemented within a reasonable period of time. The dispute settlement mechanism provides that the member will have to comply the recommendations of the DSB. If no satisfactory compensation is agreed between the parties the aggrieved may request the authorization from the DSB to suspend the concessions to that other member. The complaining party can apply the cross retaliation in the same sector in the first instance. If it is not practicable or effective than in any other sector cross relation can be done. The complaining party can also cross retaliate in any sector outside the subject matter of even W.T.O. This provision of the dispute settlement mechanism do not favours the developing countries. In principle, the sanctions should be imposed in the same sector as the dispute. If this is not practical or if it would not be effective, the sanctions can

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121 Art. 21 (3) (c) ibid
122 Footnote 12 to Art 21 ibid.
123 Art 22 (1) ibid.
124 Art. 22.3 (a) ibid
125 Art. 22.3 (b) ibid
126 Art. 22.3(c) ibid
be imposed in a different sector of the same agreement. In turn, if this is not effective or practicable and if the circumstances are serious enough, the action can be taken under another agreement. The intention is to lessen the chances of actions falling over into unrelated sectors while at the same time allowing the actions to be effective.

Through its provisions of the cross retaliation W.T.O. will legalize and multilateralise the sec. 301 of the U.S. trade and competitiveness act under which U.S. has time and again warned the developing countries to give strict protection to I.P.Rs. The inclusion of the system of cross retaliation legitimizes and globalizes the Special 301 provision of US law and is among most objectionable feature of the text. When GATT was in final signing stage, it was believed that US will not use Super 301 in areas which are covered under GATT but US still put India on priority watch list and threatened to implement the exclusive privileges rights in compliances to TRIPs after WTO came into existence. Cross retaliation can be in any other field. The dispute settlement Text provides that first the cross retaliation will be in the same field before retaliating in cross sectors. This was the feature of the Text where developing countries had protested during the negotiation also. The developing countries can hardly go for retaliations against the powerful developed countries. This provision will have severe setback for India also. The continued access for our export to the industrialized countries will be conditional. If we fail to adhere the provisions of the TRIPs the developed countries will retaliate in any sector against India. Because cross retaliation if found unfeasible in same sector can be in any sector. The fact is that in areas of I.P.R. There is very little that the developed countries can retaliate sectorily against the developing countries India also will be affected by the cross retaliation clause as we will mostly be dealt with severely as the cross retaliation will mostly be in other sectors. Even once the case has been decided, there is more to do before trade sanctions (the conventional form of penalty) are imposed. The priority at this stage is for the losing defendant to bring its policy into line with the ruling or recommendations. The dispute settlement agreement stresses

that "prompt compliance with recommendations or rulings of the DSB is essential in order to ensure effective resolution of disputes to the benefit of all Members. If the country that is the target of the complaint loses, it must follow the recommendations of the panel report or the appeals report.

4.6 Conclusion

In the context of WTO the need for dispute settlement arises whenever a Member country believes that any benefits accruing to it under the WTO agreements are being spoilt through measures taken by another Member. The general notion is that intellectual property rights and related dispute settlement were brought into the ambit of the WTO for the first time after the conclusion of the Uruguay Round. TRIPS introduce, for the first time, common minimum standards for the protection of intellectual property rights. The Paris Convention under Art. 28(1) provides for the dispute settlement through International Court of Justice (Hague). The availability of cross-retaliation clause in dispute settlement mechanism means that developing countries, when not meeting their TRIPS obligations, may see the withdrawal of concessions in areas essential for their own industries. From developed countries point of view, this is a valuable and powerful tool to ensure developing countries’ efforts as to the improvement of their national patent laws. The DSU may actually be seen as seeking to put WTO Members on an equal footing despite their very different levels of development and very different economic and political powers. Considering the very different levels of domestic IPR systems, there will certainly be a lot of disagreement between developed and developing country Members as to the legality of certain provisions in domestic legislation. The recourse to the DSU is a costly affair and due to the lack of domestic human resources, many developing countries for the purpose of dispute settlement need recourse to foreign experts. An important feature of the DSB system is that it has mandatory jurisdiction over all disputes arising out of the WTO agreement. Litigation is centralized within a single body, which de facto results in the creation of a homogeneous jurisprudence. The agreement emphasizes that prompt settlement is essential if the WTO is to function effectively. However, the point is not to pass judgment. The priority is to settle disputes, through consultations if possible. By July 2005, only about 130 of the nearly 332 cases had reached the full panel process. Most of the rest have either been notified as settled "out of court"
or remain in a prolonged consultation phase, some since 1995.  Just to make our patent laws TRIPS compliant the improvements in the patent regime in India have resulted in a significant changes and improvements in the enforcement of patents in India. However the implementation of these laws is hard to come by in strict conformity can only be possible with the awareness of patents basics in the judiciary and legal fraternity.

The enforcement procedure of patents and remedies provided by the national patent laws were already at par with the norms enshrined under the TRIPS Agreement. The Indian law provides for the injunctions, damages or accounts of profits as remedies and protects also the genuine manufacturers from being harassed by unjustified threats to sue for violation of patents rights. The procedural laws of India are very vast and the expertise in fields can obtain the benefit of allied laws also available for enforcing civil remedies. Not only this, the Indian patent law also protects the bonafide infringer from harsh remedy being imposed upon him. This depends upon the degree of knowledge held by the alleged infringer. For these reasons use of disclaimers and notices becomes very important. The US Patent Office has no jurisdiction over questions relating to infringement of patents. In examining applications for patent, no determination is made as to whether the invention sought to be patented infringes any prior patent. An improvement invention may be patentable, but it might infringe a prior unexpired patent for the invention improved upon, if there is one.  ICSIR could only get a patent cancelled on widely known traditional knowledge of turmeric in US only after producing written documentation of such use in India.  

In the field where the law courts enjoy discretion such as while granting interlocutory reliefs or imposing conditions while making discretionary orders, the Courts can and should keep in view the treaty obligations which bind the State and make orders and impose conditions which are supported by the provisions of binding treaties and conventions. The extent to which rights and obligations of the owners of the intellectual property rights and infringers would get affected in the jurisdictions other than its own can also be one of the parameters to be kept in mind by the

131  http://www.wto.org/english/tratop_e/whatis_e/wha13_e.htm last accessed on 12th December 2008


municipal court for the sound exercise of its discretionary powers. Therefore, its discretionary powers enable it to legitimately take into account the ramifications that its discretionary orders would have in the context of the wider horizons of the intellectual property right. The courts undoubtedly will have to strike a balance between public welfare and private interests so that an atmosphere conducive to respect for the intellectual property rights of the nationals of the member states is created which would help in increased international trade and encourage the citizens to strive for excellence to produce intellectual property which will be recognized and enforced by all the courts of the member States.\footnote{Justice R. K Abichandani supra note 1}

The fairness of the procedures reflected in our laws and recognition of equality rights of even aliens by virtue of Article 14 of the Constitution as their fundamental rights should generate sufficient confidence in our legal system to encourage the investors to be sure of the protection of their intellectual property rights. In India, most of the patent litigations are filed in High Courts of four Metropolitan cities – Delhi, Mumbai, Kolkatta and Chennai. As a result, these courts are well acquainted with the intricacies of patent law and are experienced in handling such cases. Plaintiffs filing suits in other places may be at a disadvantage, especially if the technicalities of the patent prosecution and enforcement are not rightly appreciated by the court.\footnote{Post-TRIPS compliance on 1 January 2005, uproar of patent litigations in India was predicted but this has not happened as yet. The product patent applications for medicines that are currently in the pipeline may lead to serious clashes between the Indian generic pharmaceutical companies and the knowledge-based pioneer drug companies. Novartis MNC’s Gleevac is the example,\footnote{Novartis AG v. Union of India and others. Writ Petition WP 24749 of 2006 filed before Madras High Court.} leaving it highly probable that a number of patent litigations will happen in India in future. Novartis was one of the 39 companies which took the South African government to court over five years ago to prevent it from importing cheaper AIDS medicines.\footnote{Praful Bidwai, (2007) “High Stakes in Attack on Indian Patent Law” News Centre March 9 available on .www.commondreams.org/cgi-bin/print.cgi?file=headlines07/0202_08.htm last visited on 7th January 2008.} Under exclusive marketing rights (EMR), which were granted to Novartis, manufacturers of cheaper version of the anticancer drug were forced to stop production, affecting life and survival of thousands of victims within not only India but also within the countries who were importing this drug from

India. The fact that the granting of patent to the drug was prior to 1995, makes the EMR illegal. This was however challenged by Indian companies. The Chennai High Court struck down their legal challenge, giving Novartis the EMR and resulting in closure of production of the cheaper version by other Indian drug manufacturers.\footnote{Mira Shiva, (2005), “Patents, Intellectual Property Rights, Unjust Trade and Public Health” Medico Friend Circle (MFC) Bulletin, Pune, December 2004- January 2005, pp 5

To many companies that are using patent litigation to increase or maintain market share—in times of prosperity as well as during downturns in the economy. Patents are being used, and in some instances misused, as weapons toward such ends. There are many companies whose businesses are based principally on intellectual property, such as patents. And investors and shareholders alike recognize that recent US court decisions have upheld patents covering diverse fields, including business methods.\footnote{Paul J. Sutton, (2008) “Win Patent disputes Without Losing Your shirt” World Intellectual Property Review (WIPR) 2008 issue  http://www.worldipreview.com UK article2.html last visited on 21st December 2008.}

Yet another important change in Indian context is the omission of section 112 of the Act (Patent Act 1970) which relates to restriction on powers of the court to grant injunction in cases of infringement of patent endorsed or deemed to be endorsed with the words "Licenses of right" as these provisions were already deleted by the second amendment of 2002 while diluting the compulsory licensing provisions.

The signatories to the TRIPs Agreement must provide to foreign right holders the same rights that it provides to its own citizens. The State immunity would not stand in the way of such immunity. But State immunity might pose an obstacle to the seizures provision enshrined in the TRIPS regime. The compliance of this provision may be difficult.

In addition to the general enforcement obligation and overall standards, the TRIPs regime imposes several more specific obligations. Art.44 of TRIPS Agreement distinguishes between use of patents and of other type of Intellectual Property. In clause 2 of Art. 44 the Agreement provides that in situation of ‘government use of intellectual property a member state shall provide the remedies generally required by the TRIPs Agreement or where these remedies are inconsistent with the national law of member country, declaratory judgments and adequate
compensation shall be available. Therefore if there is any infringement by State itself, at least damages adequate to compensation for the injury the right holder has suffered because of an infringement will have to be given. The adequacy has not been defined and may create disarray or this clause will have to be interpreted in the light of Art. 31 of the TRIPs, then a member state can limit the remedies for government use to adequate remuneration. In particular it seems unlikely that every instance of state patent infringement follow the required efforts on the part of the State to obtain the permission from the right holders.